

Service Date: April 16, 1985

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER Of The Application       )  
Of The Town of West Yellowstone       )     DOCKET NO. 84.11.75  
To Establish Rates And Charges For    )  
Water Service.                               )     ORDER NO. 5134

FINAL ORDER

APPEARANCES

FOR THE APPLICANT:

Pete Linebarger  
Town Attorney  
Town of West Yellowstone  
Box 579  
West Yellowstone, Montana 59758

FOR THE COMMISSION:

Robert Nelson  
Staff Attorney  
2701 Prospect Avenue  
Helena, MT 59620

BEFORE:

John Driscoll, Commissioner and Hearing Examiner

BACKGROUND

1. On November 16, 1984, the Town of West Yellowstone(Applicant or City) filed an application with this Commission for authority to establish rates and charges for water in its West Yellowstone, Montana, service area. The Applicant requested that the Commission approve permanent rates that would generate approximately \$8,700 in annual revenues.

2. On February 7, 1985, pursuant to notice of public hearing, a hearing was held in the Professional Building, Court Annex, West Yellowstone, Montana. The purpose of the hearing was to consider the merits of the Applicant's proposed rates. At the close of the hearing, the parties stipulated to allow the Commission to issue a final order in this Docket.

#### FINDINGS OF FACT

3. At the public hearing, the Applicant presented the testimony and exhibits of the following witnesses:

Calvin Dunbar, Town Council Member

Harold Eagle, Consulting Engineer

These witnesses testified relative to: acquisition of the water utility, capital improvement funding, projected operation and maintenance expense, rate structure and revenue projections.

4. The public testimony of the witnesses appearing during the sewer rate hearing, the previous day Docket No. 84.9.48, was adopted into the record of this proceeding; other than that testimony, no public testimony was presented during the hearing. Examination of the public testimony received during the sewer rate hearing reveals that the concerns expressed by consumers have no relevant bearing on issues in this Docket.

5. In October, 1984, the Town of West Yellowstone accepted the water facilities which have been constructed in the Madison Addition to the Town, from the developer that has contracted with the Town to plan and develop this addition. With the acquisition of the water facilities, it becomes the responsibility of the Town to provide water service to consumers in the Madison

Addition, and necessitates the filing of rates with this Commission for provision of that service.

6. The Madison Addition is a 160 acre development north of the original town site, providing space for approximately 400 residential units. This development will receive water service from the Town of West Yellowstone through a central water supply system, owned and operated by the Town. The original town site does not have a central water supply providing service to residents, therefore, all discussion relating to the provision of water service by the Town relates to the provision of service in the Madison Addition.

7. It should be noted that, at the time of the public hearing in this Docket no service connections had been made to the water system. Therefore, no prior operating experience or information is available to the Town to use as a base for construction of the proposed rates under consideration in this Docket.

#### OPERATION AND MAINTENANCE EXPENSES

8. Because the Town has just recently obtained the operating responsibility of the water utility and no service connections had been made at the time of the filing, the Town is unable to provide the Commission with historical expense data relating to utility operations. For rate case presentation, the Town has projected the annual operation and maintenance expense for the utility, based upon its anticipated expenditures during the budget period.

9. The Town has projected annual operation and maintenance expenses for the water utility of \$8,700 during the budget

period. These expenses include salaries, utility services, telemetering, billing and collecting, maintenance, and administration. The applicant, to the best of its ability, has attempted to determine anticipated expenses for each account, through application of a variable to an operating characteristic that best represents how expenses would be incurred for that account eg., meter reading and billing costs estimated at \$2.00 per quarter times estimated number of customers.

The testimony in this Docket supported the Cities projection of anticipated operation and maintenance expenses, and the projection is accepted by the Commission.

#### REVENUE REQUIREMENT

10. The Commission, based upon Finding of Fact No. 9, finds that the Town has a current revenue requirement of \$8,700 annually

11. The Towns rate study indicates that the proposed rates, requested by the Town in this application, will generate approximately \$8,700 in annual revenues. The test period operating revenues are not a contested issue in this case and are, therefore, accepted by the Commission.

#### RATE DESIGN

12. All connections to the water utility will have a meter installed prior to the introduction of service at the location; therefore, the Town is proposing the implementation of a rate structure that includes a customer charge and a single block usage rate for all water consumed during the billing period. The Commission finds the implementation of the rate structure proposed by the Applicant acceptable.

## MISCELLANEOUS

13. The Town is requesting authorization to implement a \$375 connection fee (per residential equivalent) against all connections to the water utility facilities. The City witnesses testified that the proceeds from collection of a water connection fee would be placed in an interest bearing capital improvement fund, with disbursements from that fund occurring when additional facilities are needed to insure adequate service, as additional customers are added to the system.

14. Addendum No. 1 to the Development Agreement entered into between West Associates, Limited (developer of the Madison Addition) and the Town of West Yellowstone identifies specific construction projects that must be undertaken after a specified number of units within the Madison Addition have been constructed. This indicates that both the developer and the Town are aware of the fact that presently existing facilities will become inadequate as specific levels of occupancy are attained and that through the assessment of a connection fee, the necessary facilities to provide adequate service can be constructed. It also indicates a recognition of the rate making principle that consumers receiving a utility service should be the parties responsible for payment of the costs associated with the provision of that service.

15. Generally, it is not the Commission's policy to allow a utility to make an assessment against new connections for accumulation of a construction fund as previously described, but it is the Commission's policy to collect costs from the cost causer. Clearly, in this instance, the assessment of the connection fee, to accumulate a construction fund, is a means of

collecting costs associated with the provision of service from the consumers receiving that service.

16. Based upon the preceding Findings of Fact, the Commission finds that the Town should be authorized to implement a \$375 connection fee (per residential equivalent) for assessment against all connections located within the boundaries of the Madison Addition. The proceeds from said connection fee should be placed in an interest bearing account and disbursed for construction of additional facilities needed for the provision of adequate service.

#### CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this proceeding. Title 69, Chapters 3 and 7, MCA.

2. The Montana Public Service Commission has afforded all parties interested in this proceeding proper notice, and an opportunity to participate. Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The rates approved herein are reasonable, just and proper. Section 69-3-201.

#### ORDER

1. The Town of West Yellowstone shall file rate schedules that generate annual revenues in the amount of \$8,700 for its West Yellowstone, Montana service area.

2. The rates and rate structure shall be effective upon Commission approval.

3. The Town of West Yellowstone is authorized to implement a water connection in a manner consistent with the Findings of Fact contained herein.

DONE IN OPEN SESSION at Helena, Montana this 15th day of April, 1985 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

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CLYDE JARVIS, Chairman

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HOWARD L. ELLIS, Commissioner

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JOHN B. DRISCOLL, Commissioner

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DANNY OBERG, Commissioner

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TOM MONAHAN, Commissioner

ATTEST:

Trenna Scoffield  
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See ARM 38.2.4806.